

ON THE FOLLOWING MEASURE:

S.B. NO. 2279, S.D. 2, RELATING TO CATALYTIC CONVERTERS.

BEFORE THE:

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

DATE: Wednesday, March 16, 2022 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 329, Via Videoconference

TESTIFIER(S): Holly T. Shikada, Attorney General, or

Lance Goto, Deputy Attorney General

Chair Johanson and Members of the Committee:

The Department of the Attorney General (Department) supports this bill.

This bill proposes to:

- (1) Require used motor vehicle parts dealers to obtain a written statement that the seller has the lawful right to sell and dispose of the catalytic converter;
- (2) Require certain sellers to provide copies of receipts or a declaration for the purchase of a catalytic converter;
- (3) Require dealers to keep records of purchases and sales of catalytic converters, report sales to the police, and retain the catalytic converter for sixty days after purchase;
- Require dealers to pay for catalytic converters by check;
- (5) Specify that persons who violate certain sections of chapter 289, Hawaii Revised Statutes (HRS), shall be guilty of a class C felony;
- (6) Require scrap dealers to keep records of purchases and sales of palladium, platinum, and rhodium;
- (7) Require scrap dealers to pay for palladium, platinum, and rhodium by check;
- (8) Require county police departments to maintain a database of certain reported information and initiate education programs to encourage its residents to take measures to prevent catalytic converter thefts; and

Testimony of the Department of the Attorney General Thirty-First Legislature, 2022 Page 2 of 2

(9) Establish the offense of theft of catalytic converter and make it a class C felony.

Section 1 of the bill describes the ongoing problem of theft of catalytic converters from motor vehicles, and this bill seeks to address that problem. The Department strongly supports this effort.

The Department respectfully requests the passage of this bill. Thank you for the opportunity to testify.

Council Chair Alice L. Lee

Vice-Chair Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore Tasha Kama

Councilmembers
Gabe Johnson
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services Traci N. T. Fujita, Esq.

Deputy Director of Council Services David M. Raatz, Jr., Esq.

COUNTY COUNCIL

COUNTY OF MAUI 200 S. HIGH STREET WAILUKU, MAUI, HAWAII 96793 www.MauiCounty.us

March 15, 2022

TO: Committee on Consumer Protection & Commerce

Representative Aaron Ling Johanson, Chair Representative Lisa Kitagawa, Vice Chair

FROM: Kelly Takaya King, Maui County Councilmember

HEARING: March 16, 2022 at 2:00 p.m., Via Videoconference, House

Conference Room 329

SUBJECT: Testimony in support of SB2279, SD2 RELATING TO

CATALYTIC CONVERTERS.

Dear Honorable Chair Johanson, Vice Chair Kitagawa, and Committee Members,

I strongly support SB2279, SD2 which would require used motor vehicle parts dealers to document and verify catalytic converter sales, and impose other requirements designed to help curb the continuing rash of catalytic converter thefts. Importantly, SB2279, SD2 would establish a class C felony crime for certain violations by scrap dealers.

I was recently contacted by a detective of the Maui Police Department seeking my assistance to support enactment of legislation to assist police in combatting these thefts. He relayed that police have been frustrated with the absence of laws to hold the sellers of stolen catalytic converters accountable and by the nearly impossible task of tracing recovered catalytic converters back to victims due to the lack of identification numbers on the part, making prosecutions and return of property extremely difficult. I understand that currently, stealing catalytic converters is quick, easy, profitable and often without repercussion for thieves.

Catalytic converter thefts are widespread and wreaking havoc on our communities. Last July, thieves stole catalytic converters from five Maui Economic Opportunity buses in a Maui baseyard, costing the nonprofit agency between \$6,000 and \$7,000 to replace. According to a KHON news article dated July 29, 2021, "one of the buses was an eight-passenger vehicle with wheelchair accessibility and the other four 23-passenger buses are used to transport people

with disabilities, children and kupuna." This case illustrates that many are impacted, even indirectly, by these crimes.

In addition to the monetary losses suffered by victims of catalytic converter thefts, the environment suffers. The main purpose of a catalytic converter is to reduce harmful vehicle exhaust and reduce the amount of pollutants emitted. As Chair of the Climate Action, Resilience and Environment Committee of the Maui County Council, and a member of the Local Government Advisory Committee to the Environmental Protection Agency, I support this legislation for all of the foregoing reasons.

Please pass SB2279, SD2.

Mahalo nui loa,

Kelly 7. King

Kelly Takaya King, Maui County Councilmember

Chair, Climate Action, Resilience and Environment Committee

DEPARTMENT OF THE PROSECUTING ATTORNEY

CITY AND COUNTY OF HONOLULU

ALII PLACE
1060 RICHARDS STREET • HONOLULU, HAWAII 96813
PHONE: (808) 768-7400 • FAX: (808) 768-7515

STEVEN S. ALM PROSECUTING ATTORNEY



THOMAS J. BRADY FIRST DEPUTY PROSECUTING ATTORNEY

THE HONORABLE AARON LING JOHANSON, CHAIR HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Thirty-First State Legislature Regular Session of 2022 State of Hawai'i

March 15, 2022

RE: S.B. 2279, S.D. 2; RELATING TO CATALYTIC CONVERTERS.

Chair Johanson, Vice Chair Kitagawa, and members of the House Committee on Consumer Protection & Commerce, the Department of the Prosecuting Attorney of the City and County of Honolulu ("Department") submits the following testimony in **support** of S.B. 2279, S.D. 2.

The purpose of this bill is to: (1) impose specific record-keeping requirements on used motor vehicle parts dealers, when they purchase used catalytic converters; (2) impose similar record-keeping requirements on scrap metal dealers, when they purchase rhodium, platinum, or palladium—the precious metals contained within catalytic converters—and (3) establish the offense of theft of a catalytic converter as a class C felony. The proposed record-keeping requirements are the same requirements already followed by scrap metal dealers when they deal in used copper, with the addition of requirements for used motor vehicle parts dealers to tag and label each catalytic converter, report these purchases to county police (who would then keep a database), and retain each catalytic converter for a minimum of sixty days.

The Department is aware that the theft of catalytic converters is on the rise, not just locally, but nationwide. In recent years, catalytic converters have been the subject of numerous thefts, due to the rhodium (\$21,900 per ounce)¹, platinum (\$1,100 per ounce)², and palladium (\$2,000-\$2,500 per ounce) found within those devices.³ Stolen or recycled catalytic converters can usually be resold on the market for roughly \$250, yet replacing a stolen catalytic converter can cost a car owner approximately \$1,000 or more.

¹ https://www.nytimes.com/2021/02/09/climate/catalytic-converter-theft.html

² https://www.motortrend.com/news/catalytic-converter-thefts-nationwide-on-rise/

³ https://www.nytimes.com/2021/02/09/climate/catalytic-converter-theft.html

While the Department takes no position on the severity of the offenses proposed under S.B. 2279, S.D. 2, it may be relevant to note that a class C felony theft charge generally equates to a charge of Theft in the Second Degree, section 708-831, Hawaii Revised Statutes ("HRS"), under our current statutes. In order to charge or convict someone with Theft in the Second Degree, the Department must be able to prove beyond a reasonable doubt that the defendant knowingly took the property of another, *and* that the defendant knew the value of such property exceeded \$750. This is currently impossible to prove if the stolen property is a used catalytic converter, as the typical value of these items is much lower than \$750. Because the proposed offense, Theft of a Catalytic Converter (see page 7, lines 19-21), does not involve the value of the item, the Department anticipates this offense would simply require proof beyond a reasonable doubt that a defendant intentionally, knowingly or recklessly stole a catalytic converter—by any applicable means listed under HRS \$708-830—regardless of the item's value or the defendant's knowledge thereof.

For the most part, S.B. 2279, S.D. 2, proposes an approach very similar to that which was taken approximately 10-12 years ago when theft of copper was a severe problem in Hawaii: (1) making theft of that specific item a class C felony (HRS §708-835.7); (2) prohibiting anyone from buying that item unless they are properly licensed to do so (HRS §445-232); and (3) requiring that sellers provide detailed ownership information for mandatory record-keeping (HRS §445-233 and -233.5). By establishing similar statutes regarding catalytic converters, it is hoped that the demand for—and supply of—used catalytic converters would significantly decline, the way it did for copper.

In addition to the measures previously implemented for copper, S.B. 2279, S.D. 2, would also add requirements for used motor vehicle parts dealers to tag and label any catalytic converters purchased, report those purchases to county police (who would then keep a database), and retain these items for a minimum of sixty days (*see* page 6, lines 11-21). The Department appreciates the Legislature's foresight in considering all of these requirements, and defers to the county police departments about the most helpful period of retention and surrounding details (e.g. how often dealers would have to submit this information, whether the submissions would be in hard copy or electronic, etc.). While these additional requirements do seem to be helpful for tracking purposes—should problems arise with a particular catalytic converter—the Department hopes that this one provision will not delay or prevent the rest of S.B. 2279, S.D. 2, from being passed and enacted.

For all of the foregoing reasons, the Department of the Prosecuting Attorney of the City and County of Honolulu <u>supports</u> the passage of S.B. 2279, S.D. 2. Thank you for the opportunity to testify on this matter.



March 16, 2022

TESTIMONY BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE ON SB 2279 SD2 RELATING TO CATALYTIC CONVERTERS

Aloha Chair Johanson, and committee members. I am Gareth Sakakida Managing Director of the Hawaii Transportation Association (HTA) with over 350 members involved with the commercial ground transportation industry.

HTA supports this bill.

The theft of a catalytic converter renders a vehicle inoperable, and is extremely costly to replace especially in the case of commercial motor vehicles (CMV). There is a very light inventory of parts and accessories for CMVs, especially in these times of a sporadic supply chain.

Many businesses are still experiencing depressed economic activity so personnel is reduced making fleets easier targets.

Mahalo.



Government Employees Insurance Company

■ GEICO General Insurance Company

■ GEICO Indemnity Company

■ GEICO Casualty Company

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER ALASKA & HAWAII

711 Kapiolani Blvd., Suite 300 ■ Honolulu, HI 96813-5238 ■ Email: tdayton@geico.com

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Aaron Ling Johanson, Chair Rep. Lisa Kitagawa, Vice Chair

Wednesday March 16, 2022

SB2279SD2 - RELATING TO Catalytic Converters

Chair Johanson Vice Chair Kitagawa and Members of the House Consumer Protection and Commerce Committee:

My name is Timothy M. Dayton, General Manager of GEICO. GEICO provides motor vehicle insurance for 182,000 households throughout our islands. Theft of these converters is a growing problem in Hawaii and nationally. The proposed legislation is a comprehensive approach to dealing with the problem that should not be burdensome on any legitimate business activity. **GEICO supports SB2279SD2 and urges your favorable consideration.**

Thank you for the opportunity to submit this testimony.

Sincerely,

Timothy M. Dayton, CPCU



March 15, 2022

Hon. Aaron Johanson and Members of the Committee Committee on Consumer Protection and Commerce Hawaii House of Representatives

RE: SB 2279, SD 2 – Catalytic Converter Theft - SUPPORT

Dear Chair Johanson and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Hawaii. Working hand-in-hand with our member companies and Hawaii state and local law enforcement, we help to detect, prevent, and deter insurance crimes, including vehicle theft. While NICB provides value to our member companies, we also serve a significant public benefit by helping to stem the estimated billions of dollars in economic harm that insurance crime causes to individual policy holders across the country every year.

Catalytic converter theft has skyrocketed over the past years in part due to the significant rise in the price of various precious metals, including rhodium, platinum, and palladium. All are used in the construction of catalytic converters. Criminals are seizing the opportunity to profit off these increased prices by removing the catalytic converter from vehicles – in relatively easy fashion – and selling the stolen part on the black market.

Additionally, installing a replacement catalytic converter can cost thousands of dollars. Because thieves try to remove the converters as quickly as possible, their hastiness often causes higher repair costs due to incidental damage. Moreover, businesses with large vehicle fleets, such as vehicle dealerships or utility companies, are often targeted due to the number of potential marks in a small area. Thefts from commercial carriers can lead to replacement costs in excess of tens of thousands of dollars, and additional lost revenue due to halted operations.

Senate Bill 2279, SD 2 recognizes the significant rise in rates of catalytic converter by, among other things, establishing the offense of a catalytic converter as a class C felony and requiring scrap metal businesses to follow the same record keeping requirements for the purchase of palladium, platinum, and rhodium as they must with the purchase of copper, a beer keg, or urn.

Accordingly, we respectfully request your support for SB 2279, SD 2.

We thank you for scheduling a hearing and for considering our views as you deliberate the merits of this bill. We strongly encourage you to utilize NICB as a resource and partner in the fight against catalytic converter theft. If you have any questions or need additional information, please contact me at hhandler@nicb.org or 847-544-7083.

Sincerely,

Howard Handler, MPPA

Senior Director, Government Affairs



INSURING AMERICA apci.org

To: Representative Aaron Ling Johanson, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Consumer Protection & Commerce

From: Mark Sektnan, Vice President

Re: SB 2279 SD2 – Relating to Catalytic Converters

APCIA Position: Support

Date: Wednesday, March 16, 2022

2:00 p.m., Via Videoconference

Aloha Chair Johanson, Vice Chair Kitagawa and Members of the Committee:

The American Property Casualty Insurance Association of America (APCIA) is pleased to **support SB 2279 SD2** which seeks to deter the theft of catalytic converters. Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

SB 2279 SD2 seeks to deter catalytic converters by establishing the offense of a catalytic converter as a class C felony and requiring scrap dealers to follow the same requirements regarding a written statement for the purchase of a catalytic converter as is required for the purchase of other scrap metal.

Auto theft rates are skyrocketing throughout the nation, including Hawaii, and these emerging trends have compounded other issues that have recently led to higher auto insurance costs. According to data from the National Insurance Crime Bureau, auto thefts reached their highest level in a decade in 2020, while catalytic converter thefts were more than four times higher in 2020 than the prior year. Consistent with recent media reports, a report from State Farm in July confirmed catalytic converter theft trends are still accelerating in 2021, noting that its converter theft claims rose nearly 293 percent nationwide from mid-2020 to mid-2021 compared with the previous year.

For these reasons, APCIA asks the committee to support SB 2279 SD2.

March 16, 2022 2:00 p.m. Hawaii State House of Representatives Committee on Consumer Protection and Commerce

Re: SB 2279, SD2, Relating to Catalytic Converters

Aloha Chair Johanson, Vice Chair Kitagawa and members of the committee:

On behalf of Schnitzer Steel Hawaii, we are testifying on SB 2279, SD2, Relating to Catalytic Converters. This bill establishes the offense of catalytic converter as a class C felony. It defines "catalytic converter" and requires scrap dealers to follow the same requirements regarding a written statement for the purchase of a catalytic converter as is required for the purchase of other scrap metal.

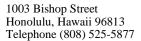
We applaud the legislature's efforts at addressing the significant economic and community impact of metals thefts. Schnitzer Steel Hawaii Corp, which was formerly known as Hawaii Metal Recycling is now part of Schnitzer Steel Industries, Inc., a global leader in the metals recycling industry. As one of the nation's largest recyclers of scrap metal, Schnitzer's Metals Recycling Business collects, trades, brokers, processes and recycles metal, both ferrous (containing iron) and nonferrous (not containing iron). In addition to our deep and longstanding commitment to the highest standards of environmental stewardship, we are truly committed to reducing metals theft and actively work with Hawaii's law enforcement community to prevent and address metals theft.

We respectfully request that a licensed scrap dealer that purchases a catalytic converter from a licensed commercial vendor, such as another licensed scrap dealer, towing company, or muffler repair shop, be allowed to rely on the identification documentation already provided. This change is consistent with amendments made to a House bill earlier in the session.

On Page 7 of the bill, please add a new paragraph (i), renaming the existing paragraph (i) as new paragraph (j) by inserting:

"(i) This section shall not apply when the seller is a scrap dealer licensed under section 445-232 and is purchasing a catalytic converter from a licensed commercial vendor, including a scrap dealer licensed under section 445-232, a motor vehicle repair dealer or mechanic licensed under section 437B-7, or a towing company regulated by the counties."

This exemption is consistent with that found in other states that address catalytic converter theft and would eliminate unnecessary additional costs that do not contribute to compliance or enforcement. We support the initial requirement of such documents and again thank you for addressing metals theft in Hawaii. Mahalo for the opportunity to testify.





Alison H. Ueoka President

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON CONSUMER PROTECTION & COMMERCE Representative Aaron Ling Johanson, Chair Representative Lisa Kitagawa, Vice Chair

> Wednesday, March 16, 2022 2:00 p.m.

SB 2279, SD2

Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection & Commerce, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Actuarial Services, Product Development & Management for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

The Hawaii Insurers Council supports the intent of SB 2279, SD2.

Catalytic converter thefts are a rising problem nationwide and a growing problem in Hawaii. Stealing the device from an SUV or other vehicle with high ground clearance can take under one minute, and the devices are desirable because they contain precious metals such as platinum, which currently trades for about \$1,058 per troy ounce, palladium, which currently trades for about \$2,377 per troy ounce, and rhodium, which currently trades for about \$20,000 per troy ounce. By comparison, copper, another metal frequently targeted by thieves, trades for only \$0.30 per troy ounce.

Under Hawaii's motor vehicle insurance law, theft is covered under Comprehensive (also called Other Than Collision) coverage. According to NAIC data, **over 75%** of Hawaii insured vehicles include Comprehensive coverage. Replacing the catalytic converter itself can cost thousands of dollars but there are other costs:

- Thieves often damage other components located near the converter which also must be replaced.
- Availability of converters for some vehicles is a challenge because of the nationwide increase in thefts. This means consumers are often unable to use their vehicles for extended periods of time while waiting for parts.
- Many consumers purchase coverage to provide for a rental car when their insured vehicle is damaged. If a catalytic converter is backordered, rental vehicle expenses will be extended.

The above claims costs will be passed to consumers in the form of higher insurance premiums for Comprehensive coverage.

This measure may deter or at least reduce the incidents of catalytic converter theft, and such deterrence may then prevent increased claims costs to the benefit of Hawaii insurance consumers.

Thank you for the opportunity to testify.

DAVID Y. IGE GOVERNOR





TESTIMONY BY:

JADE T. BUTAY DIRECTOR

Deputy Directors ROSS M. HIGASHI EDUARDO P. MANGLALLAN PATRICK H. MCCAIN EDWIN H. SNIFFEN

STATE OF HAWAII DEPARTMENT OF TRANSPORTATION

869 PUNCHBOWL STREET HONOLULU, HAWAII 96813-5097

March 16, 2022 2:00 P.M. State Capitol, Conference Room 329/Teleconference

S.B. 2279, S.D. 2 RELATING TO CATALYTIC CONVERTERS

House Committee on Consumer Protection & Commerce

The Department of Transportation (DOT) **supports** this bill that will increase penalties for unlicensed business transactions involving catalytic converters and will require used motor vehicle parts dealers and scrap dealers to record purchases and sales of catalytic converters and precious metals.

The Highways division has been impacted by the theft of catalytic converters from our vehicles and will benefit from the proposed measure that will minimize disruptions to the public and to state operations.

Thank you for the opportunity to provide testimony.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

MICHAEL P. VICTORINO Mayor

ANDREW H. MARTIN
Prosecuting Attorney

MICHAEL S. KAGAMI
First Deputy Prosecuting Attorney

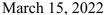


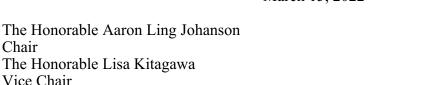


DEPARTMENT OF THE PROSECUTING ATTORNEY

COUNTY OF MAUI 150 SOUTH HIGH STREET WAILUKU, MAUI, HAWAI'I 96793 PHONE (808) 270-7777 • FAX (808) 270-7625

TESTIMONY ON S.B. 2279 SD2 RELATING TO CATALYTIC CONVERTERS





Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

and Members of the Committee on Consumer Protection & Commerce

The Department of the Prosecuting Attorney, County of Maui respectfully submits the following comments concerning S.B. 2279 SD2, Relating to Catalytic Converters. Specifically, we would like to express our <u>support for S.B. 2279 SD2</u> to reduce the theft of catalytic converters ("converters") by increasing regulations for converters sold to scrap dealers and used motor vehicle parts dealers ("dealers") and creating a new offense for the theft of a catalytic converter.

Over time, our Department has observed an increase in the amount of catalytic converter thefts. At the same time, our ability to prosecute these offenses is limited because it is rare that a suspect can be arrested, or even identified, when the theft occurs at an unattended vehicle. We believe that increased regulation of converter sales to dealers and the creation of a Class C felony offense for converter theft will have a deterrent effect on converter theft.

For these reasons, the Department of the Prosecuting Attorney, County of Maui <u>supports</u> the intent of S.B. 2279 SD2. Please feel free to contact our office at (808) 270-7777 if you have any questions or inquiries.

Thank you very much for the opportunity to provide testimony on this bill.





TO: Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

Committee on Consumer Protection & Commerce

FROM: Rob Van Tassell. President and CEO

DATE: Wednesday, March 16, 2022 (2 p.m., Via Videoconference, Conf Rm 329)

RE: <u>IN SUPPORT OF SB 2279, SD2, Relating to Catalytic Converters</u>

CCH supports SB 2279, SD2, as a means to deter thefts of catalytic converters and to increase accountability for sales and purchases of used catalytic converters.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been serving people in need in the State of Hawaii since 1947. We have operated a Transportation Services Program for seniors, age 60+ since 1974, helping frail and vulnerable elders to remain independent in the community through a door-to-door transportation option.

The recent increase in catalytic converter thefts have had a significant detrimental impact on our ability to get seniors to doctor appointments, grocery markets and other essential destinations.

During the last year, we have had catalytic converters stolen from eight (8) vehicles in our Transportation fleet. The cost to replace each has ranged from \$1,700 to \$2,500, depending on the type of vehicle since our fleet includes 14-passenger buses. In several instances, other auto parts were damaged in the process of removing the catalytic converters.

The repair expense has added additional cost burden to our Transportation Services Program, which has struggled financially during the pandemic. In order to protect the safety and health of our riders and our drivers, we have reduced ridership capacity and increased sanitation regimes – reducing program income streams and increasing operational expense.

In addition, this type of theft results in our vehicles being out for several days which negatively affects our ability to provide transportation for our elderly clients. Since the majority of our clients are going to medical appointments, this results in delayed medical care.

Catholic Charities Hawai'i asks for your support of SB 2279, SD2, in order to reduce theft and increase accountability.

For more information or questions, please feel free to email Diane Terada, Division Administrator, at <u>diane.terada@catholiccharitieshawaii.org</u> or call her via phone at (808) 527-4702.

Thank you for this opportunity to provide testimony.





